

U.S. Senate Committee on Finance

For Immediate Release

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Baucus, Grassley: IRS, Congress Need to Step Up Fight of Abusive Tax Schemes

WASHINGTON – U.S. Senate Finance Committee Chairman Chuck Grassley and Ranking Member Max Baucus today released a General Accounting Office (GAO) report that raises serious concerns about the proliferation of abusive tax schemes.

The GAO report, which Baucus requested jointly with Grassley earlier this year, focuses on three objectives: (1) the nature and scope of abusive tax avoidance schemes as determined by the IRS, (2) the IRS' strategy to combat these schemes and the performance goals and measures IRS uses to track its major effort related to them, and (3) how the IRS determined the amount and source of staff resources to be devoted to these schemes in the IRS operating division most directly affected.

The GAO determined that the IRS lacked documentation for the estimates used to determine the scope of the problem, and the IRS lacked performance measures to determine its progress in combating abusive schemes.

Senator Baucus Quote:

“Illegal tax scams come at a high cost to the American taxpayer, both in lost dollars and in lost confidence in the tax system. After reviewing the GAO's findings, I'm very concerned that the IRS isn't taking all necessary steps to address the problem of deliberate tax cheating, particularly the use of offshore bank accounts to conceal income. I plan to continue to push this issue with Treasury and the IRS to determine what specific steps can be taken to effectively end these schemes.”

Senator Grassley Quote:

“The new IRS leadership has shown a lot of energy in dealing with abusive tax schemes. However, this GAO report highlights how much more work remains to combat these problems. The more we dig, the more rats' nests we uncover. This will continue to be a priority for the Finance Committee. For our part, we need to make sure we give the IRS the legislative tools it needs to fight the problem.”

The GAO report -- GAO-04-05 -- follows.